United States
Department of Agriculture

Foreign Agricultural Service

February 1988

Foreign Agriculture

Setting Sights on Your Best Market Prospects

Marketing News

Program Boosts Understanding of U.S. Grain

To familiarize foreign grain traders in developing countries with the U.S. grain trading system, the **U.S. Feed Grains Council** is sponsoring grain marketing conferences in Venezuela, Egypt and Togo. The program is partially funded by the U.S. Department of Agriculture's Targeted Export Assistance Program (TEA).

Many developing countries are shifting from state controlled trading organizations to more privatized trade. As a result, many decisionmakers who were familiar with the U.S. system have been replaced by a diverse group of traders and end users who, through lack of exposure, find the U.S. system complex and difficult. The shift has left the United States at a disadvantage to competitor countries that maintain state export regimes or grain boards.

As a follow-up to the regional conferences, educational workshops will be held in selected countries during the year. Topics will include grain handling, pricing, U.S. goverment credit programs and grain quality and U.S. grain standards. Each workshop will cover one topic over a 2-to-3-day period.

U.S. Wheat Group Eyes Ecuadorian Market

The Ecuadorian market for U.S. durum wheat for pasta jumped from zero in 1984/85 to 6,200 tons in 1985/86, to 9,000 tons in 1986/87, thanks to the market development efforts of the **U.S. Wheat Associates.** Such efforts originally were met with reluctance by the government of Ecuador because of perceived logistical problems in shipping small amounts of wheat and weak demand from Ecuador's pasta industry.

U.S. Wheat Associates met with government import officials, flour millers and pasta manufacturers, stressing the high quality of U.S. durum wheat. The Association then sponsored a pasta consultant to travel to Ecuador on a fact-finding, technology-transfer mission. As a follow-up, U.S. Wheat sponsored a two-week pasta processing course in the United States for Ecuador's largest pasta manufacturer. The manufacturer successfully imported Ecuador's first durum shipment from the United States.

Alvaro de la Fuente, regional director for U.S. Wheat Associates in South America, has overseen the successful effort to introduce U.S. durum wheat to Ecuador. "We are encouraged by the development of a new market for our durum wheat in South America and we expect similar new opportunities here for all five classes of U.S. wheat," he said.

Forest Products Group To Co-Sponsor Korean Study

The **National Forest Products Association,** in coordination with Korea's Ministry of Construction, began arrangements last fall for a joint wood competitiveness study. The study will explore the economics of wood frame construction over those of concrete.

A 1986 study sponsored by the Foreign Agricultural Service recommended that the U.S. industry develop comparative economic data to convince the Koreans of the viability of wood frame construction and to tap a market potential that the Association believes can exceed $500 million.

"The Korean market for U.S. wood products expanded dramatically from $137 million in 1986 and is predicted to reach $170 million in 1987," according to Al Goetzl, vice president of economics and information services. "The potential for a larger share is much greater. The opportunities are waiting, but they will have to be sought."

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Features

Departments

Best Export Market Prospects Into the 1990s

By David L. Neubert

In recent years, as the importance of exporting has grown to U.S. agriculture and agribusiness, and as competition has increased for a share of the marketing pie, the need for a clear, well-defined export marketing strategy has increased tremendously. This strategy should include identifying those foreign markets with the best potential for increased export sales.

U.S. agricultural exporters cannot afford a shotgun approach with their marketing dollars. Today's successful exporters must fix their scopes and take precise aim at the most promising markets.

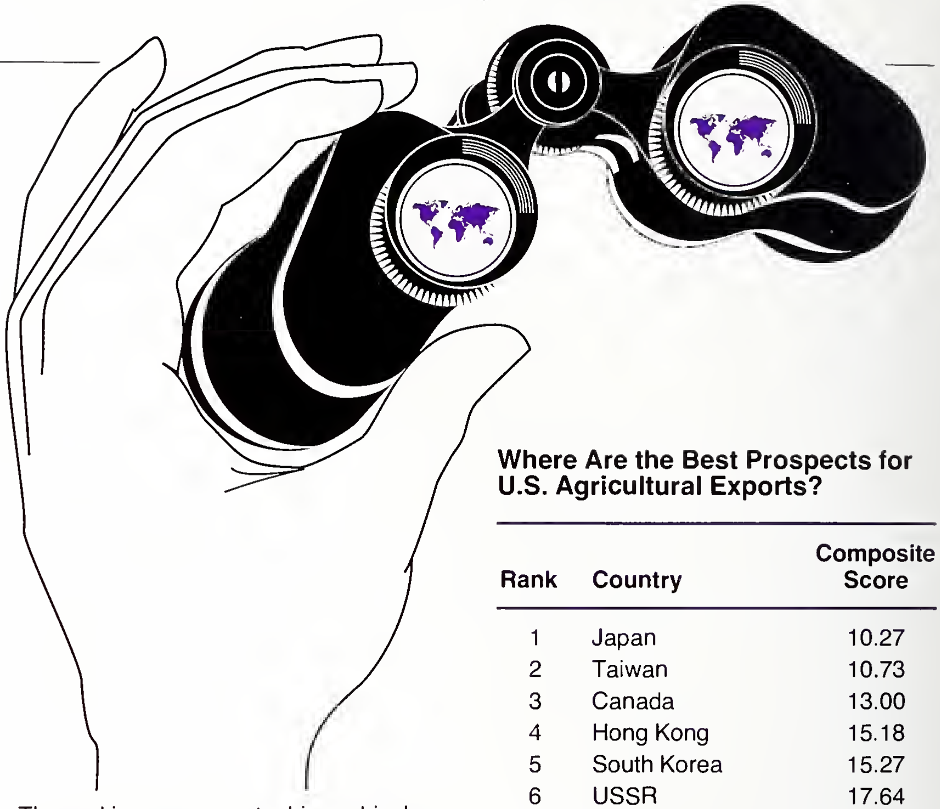
As with any business, the primary step in successfully marketing U.S. agricultural products is matching the product with the right customers. The key words are "market potential."

Where Are the Best Markets?

The best way to begin this search is to ask: What are the overall best market prospects for the next three to five years? This allows exporters to sift through a large number of less lucrative markets and concentrate their time and resources on developing a marketing strategy for a limited number of countries where the rewards are expected to be the greatest.

In order to capitalize on these growing opportunities, U.S. exporters need to know what products, within each of the best market prospects, will be in greatest demand. From reports of Foreign Agricultural Service (FAS) counselors, attaches and trade officers stationed abroad, some of the best product prospects within each of the best market prospects have been identified.

The rankings in this survey were developed from the basic question: Based on historic data, what will be the best market prospects for U.S. agricultural exports? Trade, economic and demographic indicators were used to determine the final rankings.



The rankings represent a hierarchical rating system of best market prospects for U.S. agricultural products based on the assumption of historic trends.

The value and five-year average annual growth rate of key indicators were used. Some of the key variables used in developing the composite score were: value of U.S. agricultural exports, value of foreign agricultural imports, U.S. market share, overall trade surplus or deficit with the United States, Gross Domestic Product (GDP) and population.

Pacific Rim and EC Are Tops

It was not news that the Pacific Rim and the European Community (EC) dominated the top 10 positions for export prospects. Each of these two regions has four countries in the top 10.

The countries of the Pacific Rim and the EC are cash rich and have foreign currency reserves that are extremely high (Taiwan—$62 billion; Japan—$70 billion; West Germany—$62 billion). In addition, with the dollar falling in value against many of these currencies, the competitive environment for U.S. agricultural exports has improved substantially from two years ago.

Where Are the Best Prospects for U.S. Agricultural Exports?

Rank	Country	Composite Score
1	Japan	10.27
2	Taiwan	10.73
3	Canada	13.00
4	Hong Kong	15.18
5	South Korea	15.27
6	USSR	17.64
7	Italy	19.45
8	West Germany	20.09
9	United Kingdom	20.45
10	Spain	21.36
11	Brazil	22.00
12	France	22.36
13	Pakistan	22.64
14	Turkey	22.91
15	Venezuela	22.91
16	Iraq	23.91
17	Sweden	24.55
18	Mexico	24.64
19	Colombia	25.00
20	Egypt	25.64

High-value products show great potential in these regions. Fast-food industries (beef, poultry and french fries), restaurant industries (meats and vegetables), retail grocery items and wood industries (building materials and furniture) are likely to continue growing throughout the 1990s.

This translates into promising export opportunities for those companies who can supply quality products at a competitive price.

Targeting marketing efforts in these regions may mean slower and more modest growth because of relatively small target niches that may not impact substantially on overall U.S. exports, but will have a large impact on individual U.S. companies.

The following individual country reports explain why these Pacific Rim and EC markets, along with Canada, came out as the best market prospects for the next five years.

Each of the nine country sections included in this issue of *Foreign Agriculture* has a table of country statistics and a list of some of the best commodity prospects based on reports by FAS overseas officers and analysts. U.S. exporters should study these guide posts carefully before setting out on any market "hunting" trips.

One final note, the USSR also ranked high in this survey because the study took into account only the size and the growth of the market, but not product diversification.

Although the Soviet Union is the second largest importer of agricultural products in the world, it is a market dominated by a narrow range of bulk commodities. In 1986, 92 percent of Soviet agricultural imports from the United States were accounted for by just two commodities—corn and soybeans.

Because of this, and the fact that Soviet agricultural imports are driven predominantly by non-market influences—such as policy decisions and weather—the USSR has been eliminated from the in-depth country articles of best market prospects. ■

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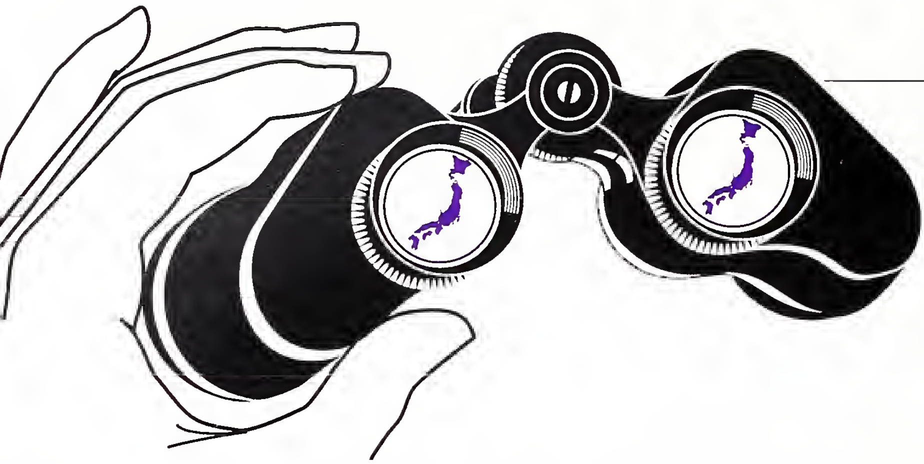
The Winner and Still Champion. . .Japan



It comes as no surprise that Japan is the best market prospect for U.S. agricultural exports. Japan, the world's top net importer of agricultural products, has been the largest U.S. customer since 1964.

Even though U.S. market share and the value of U.S. exports to Japan have declined in recent years, Japan is expected to continue to be the top U.S. customer for the foreseeable future. In fact, exports are projected to increase almost 10 percent in 1988—to $6.1 billion, the highest level since 1984.

Growth in U.S. agricultural exports to this market over the next three to five years will depend on growth in the Japanese economy and maintenance of U.S. competitiveness in that market.

Reform of Japan's agricultural policy and relaxation of trade restrictions is another key factor in future import levels. Japan's protectionist barriers currently keep internal prices high and consumption levels relatively low. Reform will come slowly but should lead to decreases in domestic production and increases in consumption and imports.

Japan To Buy More High-Value Products

Japanese imports of high-value products are expected to grow substantially. This is due to strong income growth. In addition, the stronger yen has resulted in a significant increase in import demand for many high-value products as import prices drop.

Products which should do well include nuts, broilers, egg products, canned peaches, confectionery products and fresh and frozen vegetables. U.S. exports of canned peaches already have showed big gains, thanks in part to the Targeted Export Assistance (TEA) program.

Launched in April 1986, the program helped increase exports within a few months. U.S. exports of cling peaches during May 1986 exceeded exports for the entire previous season and pushed the yearly total for Japan 176 percent over the previous year.

Recent agreements have opened the Japanese market for California cherries and U.S. wines. In addition, a TEA program for wine in Japan contributed to a 56-percent increase in the value of U.S. wine imported into Japan during the first six months of 1987.

Frozen foods continue to show promising potential as more women enter the work force and have less time to spend on shopping and meal preparation. Growth in the institutional food industry also is expected to improve the prospects for sales of U.S. frozen foods.

Consumption of some value-added items, such as livestock products, is directly affected by consumer income. Increases in consumption of these products will depend greatly upon Japan's economic growth.

U.S. forest product exports to Japan are likely to improve because of a resurgence in the demand for wood and a series of tariff cuts in April 1987. A three-story model wood house featuring advanced timber technology was constructed with the help of TEA funds.

Japan, the leading market for U.S. wood products, imported more than $1 billion worth during the first eight months of 1987, a 34-percent increase over the same period in 1986.

Outlook for Bulk Products Improves

Since Japan has little room to expand primary agricultural production, growth in consumption of bulk commodities will be met largely by foreign suppliers.

Key areas of growth potential will be in coarse grains and soybeans as the Japanese livestock and poultry industries expand. U.S. export market development activities should continue to focus on trade servicing, quality control and technical assistance to livestock industries. ■

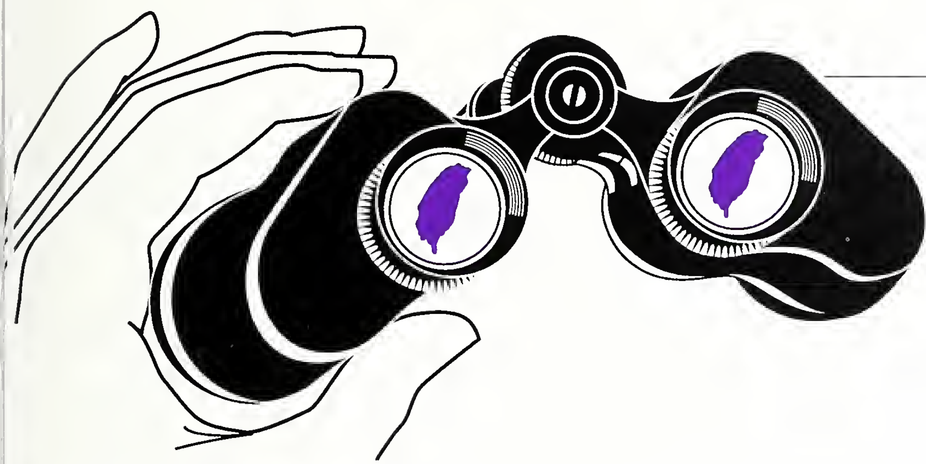
Statistics at a Glance

U.S. Agricultural Exports (1986)	$5 billion
U.S. Agricultural Export Growth (1981-86)	-3.3 percent
Total Agricultural Imports	$17 billion
Total Agricultural Import Growth (1981-85)	-7.8 percent
U.S. Share of Imports	29 percent
Average GDP Growth (1986-91)	2.7 percent
Population	121 million

Best Commodity Prospects

- High-Value Products
- Coarse Grains and Soybeans
- Forest Products
- Bull and Boar Semen
- Frozen Foods

Taiwan Is Natural for Niches



What do fast-food restaurants, grocery chains and furniture factories in Taiwan have in common? All are creating strong demand for U.S. agricultural exports, helping boost Taiwan into second position as a top market prospect for U.S. agricultural products in the next three to five years.

Factors that make Taiwan a good market prospect include a robust economy that grew by 8 percent in 1986, a $13.6-billion trade surplus with the United States and a five-year trade agreement with the United States that was renewed in 1986.

Taiwan also reduced tariffs on 1,800 imported items in 1987, liberalized restrictions on imported wine and beer, lifted an import ban on U.S. pears and made more credit available to importers.

United States Is Top Supplier

The United States exported $1.1 billion worth of agricultural products to Taiwan in 1986. This was more than two-fifths of Taiwan's $2.9-billion agricultural import total. U.S. exports to Taiwan rose by 22 percent—to $1.35 billion—in 1987. In 1988, exports are projected to increase by another 11 percent to $1.5 billion.

Trade legislation in the U.S. Congress—aimed at reducing other nations' trade surpluses with the United States—has prodded Taiwan to encourage its importers to buy U.S. products. As long as the trade surplus continues, Taiwan is likely to continue encouraging the import of U.S. products.

This makes Taiwan an inviting choice for developing market niches. Several markets are striking in their opportunity for growth.

Taiwan Grabs Fast Food

In Taiwan, restaurants, grocery stores and fast-food industries are growing rapidly, thanks to an increasingly affluent population that is attracted to high-quality western foods. This trend will create even stronger demand for imports of U.S. fruits, nuts, meat, poultry, wine, beer, frozen french fries and other grocery items.

Demand for chicken also is expected to show strong growth. Taiwan's chicken industry was damaged by two typhoons in 1986, and chicken production decreased 1.7 percent. This caused the farm-gate price of broilers to jump 14 percent.

Moreover, people have become more health conscious, and fast-food chains have increased orders for western-bred broilers. Production of ducks, geese and turkeys also increased in 1986.

Livestock Market Is Lively

Taiwan's beef industry is relatively small, and beef production dropped 18 percent in 1986 as herds were being restocked. This shortage will make demand for beef even stronger in the next few years. Live cattle imports totaled 4,800 head in 1986. Taiwan's hog industry also is showing strong demand. Hog exports to Japan jumped 31 percent in 1986.

The strong growth of the poultry, beef and hog industries will spur greater demand for U.S. feed grains and soybeans. The United States supplied virtually all of Taiwan's soybeans in 1986—a total 1.67 million tons. Taiwan's domestic production supplies only 10 percent of its coarse grains and 1 percent of its soybeans.

The government changed its policy on soybeans in 1987, allowing more imports than the government quota. Since the crushing capacity of Taiwan's soybean mills is three times the quota, mills are importing more soybeans than ever.

Taiwan's furniture exports are in strong demand worldwide. This has created continued demand for U.S. hardwood logs, lumber, veneer, fiberboard and particleboard. As long as Taiwan maintains a high level of furniture exports, the opportunities for U.S. wood product sales remain good. ■

Statistics at a Glance

U.S. Agricultural Exports (1986)	$1.2 billion
U.S. Agricultural Export Growth (1981-86)	1.5 percent
Total Agricultural Imports	$2.9 billion
Total Agricultural Import Growth (1981-85)	36.0 percent
U.S. Market Share	41.0 percent
Average GDP Growth (1986-91)	7.8 percent
Population	20.0 million

Best Commodity Prospects

- Fruits and Nuts
- Beef and Poultry
- Wine and Beer
- French Fries
- Wood Products
- Feed Grains
- Soybeans

Canada To Retain Star Status As U.S. Trading Partner

Historically a major U.S. farm export market, Canada is expected to retain its star status into the 1990s for U.S. agricultural exporters.

In the best market prospects survey, Canada is ranked third—the only non-Asian nation in the top five markets.

Prospects for the 1990s

In the next decade, U.S. export prospects are expected to be brightest for vegetables, fruits, nuts, grocery and fast-food items and cotton.

The United States accounts for over 90 percent of Canada's imports of soybeans, cotton, live animals, lettuce, poultry and eggs, animal feeds, corn, potatoes and products.

Fruits and vegetables comprise the largest category of U.S. exports to Canada, accounting for 40 percent of Canadian agricultural imports from the United States. Canada is by far the most important export market for U.S. horticultural products.

The decline in the Canadian dollar vis-a-vis the U.S. dollar and existing trade barriers have dampened the growth of U.S. high-value exports in Canada in the past.

Since the mid-1970s, the Canadian dollar has depreciated nearly 30 percent against the U.S. dollar, making U.S. agricultural products more expensive and less competitive in the Canadian market.

Farm Policies Are Key to Future

Overall economic, monetary and trade policies will largely determine the level of U.S. agricultural sales to Canada in the near future.

But the main factor that has limited Canadian purchases of U.S. products are barriers to trade, such as tariffs, quotas, licensing requirements, health and sanitary restrictions and labeling and packaging requirements.

This situation is likely to change, however. Exports of U.S. high-value products, in particular, will benefit if the new U.S.-Canadian free-trade agreement, recognizing the special relationship between the two countries, is approved by both governments this year.

The agreement—more than a year-and-a-half in the making—is waiting for the approval of the U.S. Congress and the Canadian Parliament.

Canada Is Unique Trading Partner

U.S. trade with its northern neighbor is facilitated by a common border, similar economic structures, a common culture, easy interchange of money, media and broadcast overlap and strong corporation ties.

Besides its traditional trade ties with the United States, Canada remains unique in other ways.

A glance at past performances shows why. Over the past 10 years, Canada wound up as the fourth largest U.S. farm export market six times. It also finished in third place twice and in the sixth spot twice.

Canada's track record as a consistent U.S. agricultural trade partner is illustrated by the annual trade figures of the past decade. In fiscal 1977, U.S. exports to Canada stood slightly over $1.5 billion. In fiscal 1987, they added up to $1.8 billion. In fiscal 1988, they are forecast to rise to $2 billion.

Top U.S. Exports in Fiscal 1987

The leading U.S. agricultural exports to Canada in fiscal 1987 were fruits and vegetables ($680 million), oilseeds and products ($291 million), livestock and products ($280 million) and grains and feeds ($182 million).

In fact, these export commodity groups accounted for just over $1.4 billion—about four-fifths of all U.S. agricultural exports to Canada in fiscal 1987. ■

Statistics at a Glance

U.S. Agricultural Exports (1986)	$1.5 billion
U.S. Agricultural Export Growth (1981-86)	-5.4 percent
Total Agricultural Imports	$5.0 billion
Total Agricultural Import Growth (1981-85)	-4.8 percent
U.S. Market Share	31 percent
Average GDP Growth (1986-91)	3.2 percent
Population	26 million

Best Commodity Prospects

- Fruits and Nuts
- Vegetables
- Grocery Items
- Cotton
- Fast Foods

Hong Kong Is a Little Big Market

It is hard to imagine an area barely one-third the size of the state of Rhode Island being rated as one of the best export market prospects for the 1990s. But it's true. The tiny British colony of Hong Kong is rated the fourth best export market prospect for the next three to five years.

Fruits, vegetables, beef, bread, pasta, lumber and furskins. . .Hong Kong is importing it all. In fact, because Hong Kong has very little farmland, nearly 90 percent of the food the 6 million people in Hong Kong eat must be imported. Hong Kong is also an important transshipment point for other Pacific Rim countries.

When these factors are added to a local economy that is expected to expand at a rate of 6.4 percent per year for at least the next several years, those in the export business are left with a little powerhouse of a market.

U.S. Exports Have Almost Doubled

The value of U.S. agricultural exports to Hong Kong has nearly doubled in the past decade from $206 million in 1976 to $437 million in 1987. U.S. agricultural exports to Hong Kong have been growing at nearly 9 percent each year, while total agricultural import growth in Hong Kong is estimated at 6 percent, annually. For 1988, U.S. exports are projected at roughly the same level as last year.

For the past five years, the U.S. share of Hong Kong's agricultural import market has hovered around 12 percent. Major U.S. exports include fresh fruits, vegetables, poultry, ginseng, tobacco and wheat.

The Hong Kong market has grown for U.S. livestock and poultry products, tobacco and horticultural and tropical products. A rising number of restaurants, fast-food outlets and food retail chains in Hong Kong likely will cause the market for these products to remain strong. Vigorous demand for imported furskins and ginseng also should continue.

Wheat Use Is Relatively High

Hong Kong's per capita consumption of wheat flour is high when compared to other Asian countries. This trend is likely to continue as consumers substitute wheat-based foods like bread and pasta for rice.

Largely due to a growth in the number of western-style restaurants and fast-food outlets, U.S. exports of chicken meat increased by over 60 percent between 1980 and 1986. Turkey and chicken franks and other new-to-market processed products also have good potential.

The rapid pace of construction in Hong Kong should create opportunities for U.S. wood products in the next five years. Some authorities are recommending that U.S. wood exporters identify potential markets and begin promoting U.S. wood products with an eye focused on supplying many of the new construction projects which are being planned.

Stepping Stone to China

Under a decades-old agreement, in 1997 Hong Kong will be transferred from British to Chinese control. Ultimately, Hong Kong's economic performance will be determined by how smoothly this transfer proceeds. China has pledged to preserve Hong Kong's capitalist system and to grant Hong Kong a high degree of autonomy.

Conceivably, the relationships exporting countries currently enjoy with Hong Kong could give those countries a foot in the door of the Chinese market (with over 1 billion consumers) once the transfer takes place.

But for the present, Hong Kong already has a role to play in the economy of China, albeit a small role. Hong Kong companies currently supply western hotels in China with many high-value food products.

For the forseeable future, Hong Kong will continue to play a role in agricultural development in China. This will allow import demand for high-value products to continue to grow until China develops its own food industry and can produce the higher quality foods its people are developing tastes for. ■

Editor's note: The June 1987 *Foreign Agriculture* is devoted exclusively to Hong Kong.

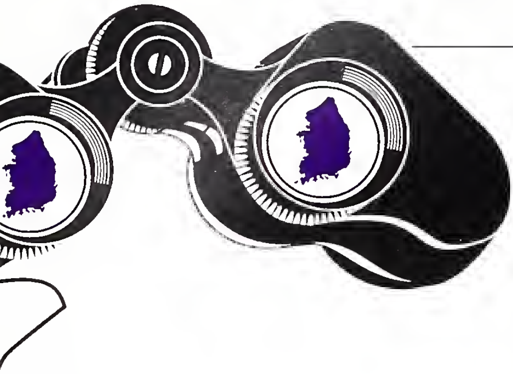
Statistics at a Glance

U.S. Agricultural Exports (1986)	$395 million
U.S. Agricultural Export Growth (1981-86)	8.6 percent
Total Agricultural Imports	$3.7 billion
Total Agricultural Import Growth (1981-85)	6.4 percent
U.S. Market Share	10 percent
Average GDP Growth (1986-91)	6.4 percent
Population	6 million

Best Commodity Prospects

- Fruits and Vegetables
- Furskins
- Poultry and Beef
- Grocery Items
- Bread and Pastas
- Forest Products

Korea Becomes a Rising Tiger In World Trade



Korea's rapid economic progress over the past decade has caused that country to be labeled, very aptly, as one of the "rising tigers of Asia."

The booming economy has added more muscle to Korea's ability to boost exports, which in turn, has fueled a growing trade surplus and greater foreign exchange reserves. Thus, Korea enjoys an expanded import capacity.

In fiscal 1987, Korea imported $1.7 billion worth of U.S. agricultural exports, and ranks as the fifth best market prospect. U.S. exports are expected to rise 12 percent in 1988 to $1.9 billion.

Radical changes in world foreign exchange markets over the past two years or so have had a beneficial effect on Korea's trade outlook.

The slide of the Korean won against the U.S. dollar—plus the appreciation of the Japanese yen against the U.S. dollar—is winning markets for Korean exports, especially in the United States.

With increased export earnings, Korea's ability to buy from the United States—and indeed, its need to redress its trade surplus with the United States—has been enlarged considerably.

Rapid Gains in Recent Past

Korea's rank as one of the top market prospects for the 1990s is backed by the giant steps taken in the past.

Just 10 years ago, U.S. agricultural exports to Korea were under $1 billion. Korea first became a billion-dollar U.S. farm market in fisal 1978, taking $1.06 billion of U.S. agricultural commodities. Today, Korea stands ready to become a $2-billion export market.

The Korean market is primarily a bulk commodity market, with wheat, coarse grains, soybeans and cotton accounting for most of the country's imports. The major high-value import is hides and skins (mainly cattle hides).

In fact, five commodity groups accounted for the lion's share of U.S. agricultural exports to Korea in fiscal 1987.

They were hides and skins ($539 million), corn ($313 million), cotton ($282 million), soybeans ($224 million) and wheat and wheat flour ($208 million).

However, prospects for value-added products, such as forest products and leather goods, are improving. These and other products that are not extensively supplied by domestic producers are expected to fare better in the next decade. But to do so they must be backed by well-conceived marketing and promotional programs.

Products With Good Opportunities

Market opportunities resulting from newly liberalized import duties are opening up for such products as turkey, grapefruit, lemons, raisins, prunes, almonds and sweet cherries. Various juices also could benefit in the near future from relaxed trade barriers.

Market opportunity also appears promising for leather goods. Korea's tanneries do not have the capacity to fill all the leather requirements of this growing industry; thus, needs must be met with imports.

Korea's use of wood products for guitars, pianos, flooring, paneling, packaging material and construction is growing rapidly. The strength of the yen and the corresponding attractiveness of the U.S. dollar could provide an expanded market to U.S. exporters.

A suspension of Korea's price support program in 1983 led to the virtual disappearance of domestic wheat production. This declining trend is expected to continue. Therefore, most of Korea's domestic demand will be satisfied by imports.

The production decline coupled with increased wheat consumption due to changes in Korean diets and the elimination of many restrictions on wheat imports will accelerate the import demand for wheat and wheat products.

In the past, Korea has met only 5 percent of its feed grain demand through domestic production. The U.S. share of this market was 90 percent in 1983, 62 percent in 1984 and 36 percent in 1985. The declining U.S. share is largely due to the government's import diversification policies and lower prices from competitors.

Overall, Korea will remain a sizable, but very competitive, market for almost every agricultural product. With its economy expected to grow at an average annual rate of 8 percent over the next five years, the potential market is enormous. ■

Statistics at a Glance

U.S. Agricultural Exports (1986)	$1.3 billion
U.S. Agricultural Export Growth (1981-1986)	-7.9 percent
Total Agricultural Imports	$3.3 billion
Total Agricultural Import Growth (1981-1985)	-29.0 percent
U.S. Market Share	40 percent
Average GDP Growth (1986-91)	8.4 percent
Population	43.3 million

Best Commodity Prospects

- Forest Products
- Cattle Hides
- Leather
- Fruits and Nuts
- Juices
- Turkey and Poultry

Italians Say "Ciao" to U.S. High-Value Products

U.S. exporters interested in selling to the Italian market should keep in mind that Italy is a growing market for a number of high-value products such as snack foods, ornamental plants, hides and wood products, as well as cotton. Many of these items represent a niche market for Italy's yuppies—or *rampanti* (climbers)—who increasingly are eating, dressing and decorating with U.S. style.

Italy is presently the fifth largest agricultural import market in the world and the seventh best prospect for U.S. agricultural exports in the next few years.

Italy imports about $16 billion worth of agricultural products a year. As a member of the European Community (EC), it imports half of this amount from other EC countries. The United States holds a 4.5-percent market share, with the remainder held by Israel, South Africa, Canada and several North African countries.

The prospect for increased U.S. exports to Italy is good thanks to the strong Italian economy (the fastest growing in Europe), the increase in the demand for U.S. consumer items and the depreciation of the dollar against the lira, making U.S. products more competitive.

Products With Potential

Here is a brief look at the prospects for products with potential in the Italian market.

Livestock products. Market opportunities for cattle hides appear bright, thanks to an expected increase in demand for Italian shoes in Japan and the Far East. This should increase Italian import demand for cattle hides for use in manufacturing shoes.

If the U.S. dollar remains weak, keeping U.S. prices competitive with other foreign suppliers, demand for U.S. cattle hides should increase.

Sales of two other U.S. livestock products—tallow and bull semen—also are expected to increase.

Cotton. U.S. cotton exports are likely to be up because of reduced U.S. prices. However, Italian imports of low-cost Turkish yarn could hamper the expected increase.

Snack items. Fruit and nut exports have excellent opportunities for expansion. The Italians like U.S. prunes, and currently Italy is the world's largest importer of the fruit. This market could expand even further if efforts to increase demand for pitted prunes as a snack item are successful. Walnut exports should remain strong because domestic production is down.

More than ever before, Italians are showing a decided interest in ready-to-eat food products like walnuts and pecans. They also are gravitating toward other snack-type foods, which enable them to eat on the go.

Interior and landscape plants. Opportunities exist for exports of U.S. interior and landscape plants to complement Italy's domestic production. This market appears to be expanding throughout Europe.

Wood products. U.S. wood products are finding a strong market in Italy thanks to the decline in the dollar. Expansion in the furniture industry there should continue to provide excellent opportunities for hardwood and softwood exporters, although the construction sector appears to be stagnating. ■

Statistics at a Glance

U.S. Agricultural Exports (1986)	$722 million
U.S. Agricultural Export Growth (1981-86)	-10.7 percent
Total Agricultural Imports	$16 billion
Total Agricultural Import Growth (1981-85)	15.8 percent
U.S. Market Share	4.5 percent
Average GDP Growth (1986-91)	2.7 percent
Population	57 million

Best Commodity Prospects

- Animal Products
- Cotton
- Snack Items
- Interior and Landscape Plants
- Wood Products

Variety Is the Spice of Business In West German Food Market

The idea of a family of West Germans sitting down at their dinner table for a robust meal of tacos and refried beans from the United States may seem odd. But many West German families are doing just that.

Spicy Mexican or Texas dishes prepared and packaged in the United States are only some of the "exotic foreign foods" in which German consumers are showing interest. And this interest, coupled with the wide variety of foods Germans already enjoy preparing and eating, make West Germany a good bet for U.S. agricultural exporters in the next few years.

Germany Is Top Food Importer

West Germany is the No. 1 importer of agricultural products in the world. In 1986, German agricultural imports totaled nearly $26 billion.

While not expected to experience meteoric economic growth over the next five years, sustained and modest growth in the West German economy should allow the West Germans to buy the imports they want.

The 45-percent depreciation of the dollar against the Deutsche mark has increased U.S. exporters' ability to compete on the basis of price in the West German market. This increased ability to compete means U.S. agricultural exports could rise above present levels, particularly in non-variable levy products like processed foods.

Specialty Items in Demand

West German demand for speciality items such as maple syrup, soups, sauces and condiments is increasing. But German import orders for these items tend to be too small in volume to be imported in container loads, the traditional shipping method.

U.S. exporters or shippers should be willing to put together mixed containers. This would greatly enhance marketing opportunities for such products.

Fresh and frozen berries, fresh kiwifruit, apples, pears, raisins and prunes also are very much in demand in West Germany.

Cooperator groups, working together, are using funds available through the Foreign Agricultural Service's Targeted Export Assistance Program (TEA) to develop markets in West Germany for U.S. fruits. TEA provides at least $110 million each fiscal year through 1988 to finance overseas promotional activities for certain U.S. agricultural products.

Promotions Increase Sales of Juices

Export sales of fruit juices and fruit juice concentrates also are increasing in West Germany due to promotional efforts by U.S. exporters.

The trends in the sales of popcorn, edible nuts and peanut butter are up, too. This growth is expected to continue if the Deutsche mark remains strong. Special promotions have strengthened the demand for these items among West German consumers.

West Germans are beginning to show a preference for U.S. fish and seafood products as well, making West Germany an important market for U.S. exporters of fresh and frozen seafood. Due to the West Germans' inability to obtain all of the seafood they crave from their traditional suppliers, U.S. seafood exports have increased—especially for crab, crayfish and jumbo shrimp.

A rising health consciousness among West Germans is feeding an increase in the demand for imported, organically grown products. U.S. exporters of such products, in both bulk and high-value form, stand to benefit from this trend. ■

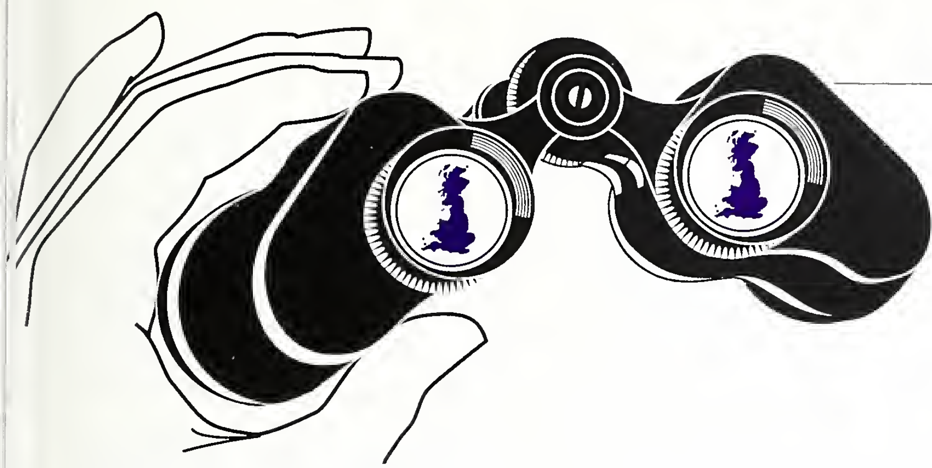
Statistics at a Glance

U.S. Agricultural Exports (1986)	$1 billion
U.S. Agricultural Export Growth (1981-86)	-13.7 percent
Total Agricultural Imports	$25 billion
Total Agricultural Import Growth (1981-85)	-5.9 percent
U.S. Market Share	4 percent
Average GDP Growth (1986-91)	2.4 percent
Population	61 million

Best Commodity Prospects

- Speciality Items
- Flowers and Indoor Plants
- Berries
- Kiwifruit
- Fruit (during winter)
- Tex/Mex Food
- Popcorn
- Nuts and Peanut Butter
- Fruit Juices
- Seafood
- Health Foods

The British Are Buying, The British Are Buying



Opportunities for U.S. penetration of the United Kingdom market look good in the future, even though U.S. exporters have barely scratched the surface of this huge $16-billion market.

The U.K. real gross domestic product (GDP) is likely to expand in 1987 by more than 3 percent, due largely to a consumer boom and an increase in fixed investment. In 1988, although a decline in export growth will likely dampen GDP growth by 2 percent, consumer demand is expected to grow 4-5 percent, fueling import growth.

In 1986, the United States shipped $678 million worth of agricultural items to the United Kingdom. Since then, the lower valued U.S. dollar has enhanced significantly the opportunities for expanding U.S. exports of high-value products. The infusion of promotional funds to U.S. industry groups through the Targeted Export Assistance (TEA) program has made the picture even brighter.

Market opportunities are developing for almost every commodity, especially for products such as oilseeds and various specialty items like condiments and snack foods which have non-variable levies and enter the United Kingdom with few restrictions.

TEA To Help Soybean Oil Exports

While U.S. soybean oil has only 25 percent of the U.K. consumer market for liquid oils, opportunities exist for increasing the U.S. presense.

Aided by TEA program funding, the American Soybean Association has developed television and print campaigns advertising bottled soybean cooking oil and promoting its use in manufacturing margarines. The promotions are aimed at both consumer and trade audiences.

Use of U.S. corn in the United Kingdom has shifted almost entirely away from animal feed in favor of starch manufacturing and foods. Breakfast cereals especially have shown considerable growth, and the trend should continue.

The United Kingdom remains an important market for other U.S. grain and feed ingredients, including high-protein U.S. wheat exists for blending.

Good potential exists for increased imports of U.S. fruits and vegetables. Importers and retailers normally purchase their supplies according to price and seasonality and tend to buy from traditional European, African and Israeli sources.

However, U.S. exporters can make a bigger dent in this market with promotions emphasizing the quality, variety and availability of U.S. fruits and vegetables.

British Are Keen on Nutrition

Consumption of dried fruits in the United Kingdom is rising as consumers turn more and more to healthier foods. Individual packages of dried fruits for snacking are becoming more popular, and a wider variety of dried fruits is being used in baked products.

Similarly, the market for U.S. peanuts, almonds, pecans, walnuts, filberts and other nuts is increasing steadily. Promotional activities over the next year should boost this trend as consumers become more aware of the nutritional value of nuts and as bakers and processors develop new nut products for the retail market.

Per capita consumption of rice in the United Kingdom is fairly low but is expected to improve as consumers become more aware of the quality of the U.S. product. To that end, generic and brand promotions of U.S. rice are being expanded through media and public relations campaigns.

Similar activities are underway for peas and lentils. U.S. exports of dry edible beans are expected to rebound following the short crop last year.

Exports of ornamental foliage for interior and exterior design show promise in the near future. In addition, demand for softwoods, hardwoods and plywood is increasing as a result of new housing starts and improved uses of these materials in the industrial sector. ■

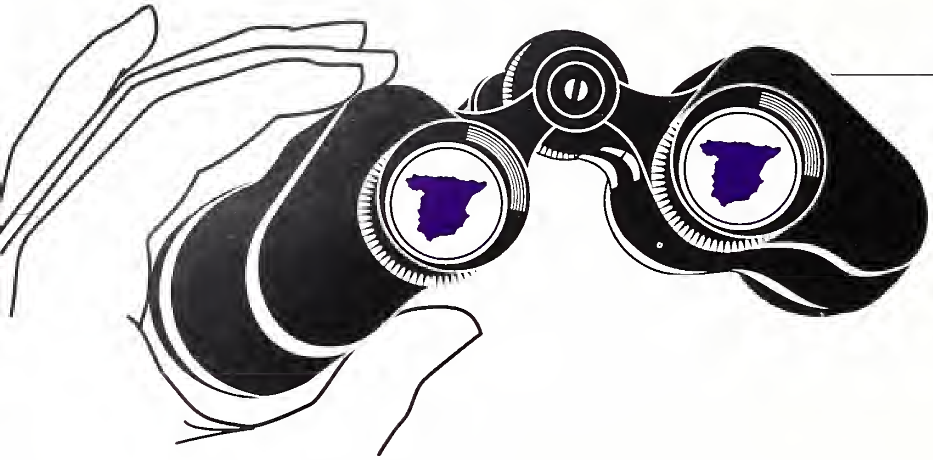
Statistics at a Glance

U.S. Agricultural Exports (1986)	$678 million
U.S. Agricultural Export Growth (1981-1986)	-9.4 percent
Total Agricultural Imports	$16 billion
Total Agricultural Import Growth (1981-1985)	-9.1 percent
U.S. Market Share	4.3 percent
Avg. GDP Growth (1986-91)	2.6 percent
Population	57 million

Best Commodity Prospects

- Grain (food use) and Feed
- Soybean Oil
- Fruits and Vegetables
- Rice
- Nuts
- Dried Fruit
- Ornamental Foliage
- Forest Products

U.S. Exports to Spain Are Mainly on the Gain



Spain rounds out the top 10 best export market prospects for U.S. agricultural products. Spain, the world's sixteenth largest agricultural exporter, imports $4 billion worth of agricultural products a year, with $700 million worth coming from the United States.

Despite the fact that Spain buys mainly from other members of the European Community (EC), this market should grow for U.S. products due to growth in the Spanish economy. Spain is forecast to have one of the highest growth rates in gross domestic product (GDP) in Europe through 1991—just under 4 percent per year.

U.S. exports to Spain also will benefit from the expected fall in the dollar against the peseta, a 4-percent increase in consumer spending and by the fact that Spanish foreign currency reserves rose by $12 billion in 1987 to an estimated $24 billion.

U.S. Animal Products Should Prosper

Spain imports $231 million worth of hides and skins for its important shoe manufacturing industry. The U.S. share of the Spanish hide import market declined during the 1980s to $3 million, but greater and more creative promotional efforts by U.S. exporters could pay significant dividends if the United States can regain its position as an important supplier of hides.

Tallow imports by the soap and chemical industries are expected to continue. A U.S.-EC agreement will increase Spanish imports of corn and sorghum which may lead to reduced use of tallow for feed so efforts should be made to promote broader uses of tallow.

U.S. promotional activities being carried out in Spain are expected to increase interest in wood-frame housing, boosting demand for U.S. softwood and hardwood lumber. Continued economic expansion likely will increase the number of housing starts, which should contribute to a further increase in sales of U.S. forest products.

U.S. Nut Exports Have Room To Grow

Despite keen competition, Spain is a growing market for edible peanuts. A program to encourage Spanish adoption of U.S. aflatoxin testing procedures and tolerances should result in even greater preference for U.S. peanuts.

A good market exists for California walnuts; 1986 exports totaled about 13,000 tons. Pistachios were practically unknown in Spain five years ago and are being imported in growing quantities from Iran and Turkey. U.S. exporters can gain a foothold through competitive prices and market promotion.

TEA Programs Boost U.S. Efforts

Although there is a substantial market in Spain for U.S. lentils, beans and peas, imports from the United States account for less than 20 percent of the total. With the help of a Targeted Export Assistance (TEA) program for lentils, there is good potential for expanding the market and the U.S. share.

U.S. prune and raisin sales to Spain totaled some 2,000 tons in 1986. There is clearly room for trade expansion in these high-value products. TEA programs are operating and should be helpful in promoting export growth.

Outlook for Processed Products

In 1986, Spain imported about $500 million worth of processed food products, almost double the 1985 value. The U.S. share of this market is still relatively small—about $70 million.

However, since many of these products enter Spain duty-free, U.S. exports should benefit from both strong increases in consumer spending and the expected low value of the dollar which makes U.S. products more competitive. ■

Statistics at a Glance

U.S. Agricultural Exports (1986)	$700 million
U.S. Agricultural Export Growth (1981-86)	-13.0 percent
Total Agricultural Imports	$4 billion
Total Agricultural Import Growth (1981-85)	-13.3 percent
U.S. Market Share	18 percent
Average GDP Growth (1986-91)	3.7 percent
Population	39 million

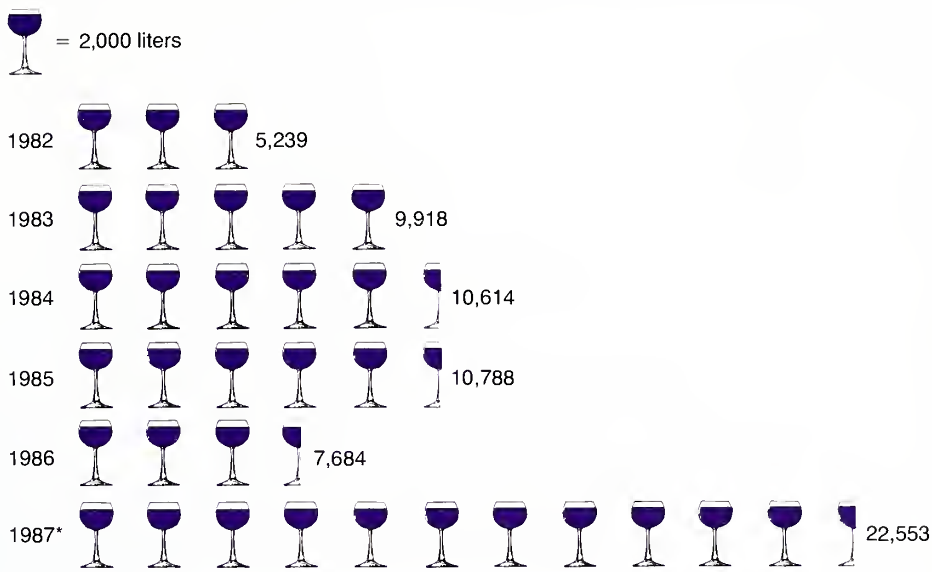
Best Commodity Prospects

- Hides
- Tallow
- Forest Products
- Lentils, Beans and Peas
- Peanuts
- Walnuts
- Prunes and Raisins
- Processed Food Products

Uncorking a New Market for U.S. Wine in Korea

By Elizabeth Berry and S. W. Kim

Korean Relaxation of Import Restrictions Boosts U.S. Wine Exports



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By the 1990s, Korea is likely to become a major wine import market, despite current quantity limitations and high tariffs. U.S. firms willing to risk making an investment in the Korean wine market today should be in a position to reap rewards as the market becomes larger and more accessible.

One reason for the optimism about U.S. wine sales to Korea is that on October 1, 1987, the Korean market was opened to wine imports for domestic consumption.

Wine Has Become Popular Beverage

Koreans have one of the highest per capita alcohol consumption levels in the world, but they traditionally prefer hard liquor.

Demand for domestically produced wines has increased in recent years. Demand for foreign wines also is expected to continue to increase steadily, thanks to greater availability, increased consumer awareness, the global trend toward low-alcohol liquor consumption and an increasing number of female alcohol consumers, who tend to prefer wine to hard liquor.

White wine consumption far exceeds red wine consumption due to white wine's greater availability and familiarity. Wine purchases rise sharply during the New Year holiday season, when wine is a popular gift.

Until 1987, imported wine was available only in hotels and commissaries frequented by foreigners. The product was subject to a 100-percent tariff and a panoply of domestic taxes, resulting in high prices, especially on hotel menus. For example, a $2 bottle of wine c.i.f. subject to these taxes would wholesale for approximately $7.

U.S. wines generally accounted for a small percentage of foreign wines served in hotels for three reasons: most food and beverage personnel in Korea's international hotels are Europeans, who prefer European wines; competitive prices; and status associated with European wines.

Limited Production Encourages Imports

One of the factors that will lead to larger wine imports is insufficient Korean production in relation to growing demand.

There are just five wine producers in Korea, one of which accounts for about three-fourths of total production. Of the country's 29,000 grape growers, approximately 9 percent produce wine grapes. Most of the 165,000 tons of grape production were table grapes.

The deficiency in production versus demand prompted the Korean government to announce its intention to permit imports of grape must for the first time last year—at a 100-percent duty—to help domestic wineries expand production and meet foreign competition.

The government presumably will announce an annual quota for grape must imports on the basis of domestic output. Import procedures are likely to be structured to avoid competition with domestic production.

Korean wine imports will be limited through 1990. In 1987, 10 percent of 1986 domestic consumption could be imported, or about 386 kiloliters. In 1988, imports equivalent to 20 percent of 1987 domestic consumption will be permitted. The import ceiling will be raised to 30 percent of 1988 consumption in 1989, and 40 percent of 1989 consumption in 1990. In 1991 quantity limitations will be lifted.

Only pure still grape wine imports will be permitted. Imports of wine coolers, non-grape based wines and sparkling wines continue to be banned.

The same tax structure that applies to wine imports for hotels will apply to wine imports for general consumption. While this imposes a substantial burden on imports, the least expensive U.S. wines may still retail at prices roughly comparable to those of domestic products, which are subject to the same domestic taxes as imported wines. ■

Berry is the agricultural attache, Seoul. Kim is an agricultural marketing specialist at the U.S. agricultural trade office, Seoul.

Going the Extra Kilometer In the Belgian Market

Although Belgium turns to the United States chiefly for bulk commodities, high per capita income and a taste for high-quality products among Belgian consumers signal opportunities for U.S. value-added items. This month, ***Foreign Agriculture*** *talks with Roger Lowen, U.S. agricultural counselor in Brussels, about the potential of the Belgian market.*

Foreign Agriculture: What is the size of the Belgian market?

Lowen: Belgium is a country of 9.9 million people—about the size of Maryland—with an industrial economy largely dependent on imports of raw materials and exports of finished products.

The Belgian market for U.S. agricultural products has more or less stabilized during the past year at about $400 million, but that's only the food and fiber trade. When you add in wood products, you're approaching about a half billion dollars.

FA: Who are Belgium's major trading partners?

Lowen: Other countries in the European Community are the chief suppliers of Belgium's agricultural imports. However, about 18 percent of agricultural imports are non-EC trade.

FA: What types of agricultural products does Belgium buy from the United States?

Lowen: There has been a slow and steady increase in the amount of value-added products but bulk commodities remain the most important by far. The largest item in this market continues to be soybeans. Other large items include meat products, cotton, tobacco and wood products.

FA: What are the biggest problems you encounter in the Belgian market?

Lowen: The biggest problem with regard to bulk commodities is the European Community's Common Agricultural Policy (CAP). The CAP keeps out a large part of our bulk exports through a system of artificially high prices and variable levies.

The U.S. agricultural proposal to the multilateral trade negotiations under the General Agreement on Tariffs and Trade—which would eliminate agricultural subsidies over 10 years—holds some promise of opening this market to natural

competition, but it's going to be a long negotiating process.

FA: Are there other Belgian policies or programs that restrict U.S. imports?

Lowen: The United States has had problems breaking into the market for frozen embryos because the Belgian government has not yet developed regulations that would permit this trade.

We've been urging government officials to do so, but they claim they don't have enough resources right now. Their veterinary bureau is concentrating on stamping out hog cholera and other diseases.

FA: How would you assess the potential for value-added products in Belgium?

Lowen: I think the potential is quite high simply because the income is high. The Belgian income—particularly when you compute it at the current exchange rate—is nearly equal to the per capita income in the United States. You can see that there is a large potential market here.

Although the market is very competitive, Belgian consumers are looking for quality and I believe the United States has quality products to offer.

For example, U.S. processors of frozen foods are gradually penetrating this market. If they are willing to produce the products that are appreciated by the Belgian consumers, I believe they can develop a steady market here.

I should add, however, that new products which are successfully introduced into Belgium must have something that separates them from the tremendous variety already available.

If you have a new type of jam, or a steak sauce or other item, you must make it stand out in some way among the great variety of products already on the shelves.

FA: Which value-added items seem to have a particularly promising future in Belgium?

Lowen: Sales of U.S. wood products exceed $60 million and we believe these sales can be increased even further.

U.S. exporters have done a good job of promoting hardwood, softwood and plywood in this market. In the past year we have had five trade teams, including one from the Southern United States Trade Association and from several other state organizations.

They met with importers and distributors of U.S. timber and lumber as well as some end users and organizations which represent Belgian importers. It has been very useful to have these U.S. groups here, because they have been able to make first-hand contacts with Belgian importers.

FA: How popular are wood-frame houses in Belgium?

Lowen: About 14 percent of homes have wood frames. We hope to increase that figure by demonstrating to Belgian consumers that wood is a reliable product for home construction.

Up to this point many Belgian consumers have favored a stone or brick home, but I believe factors such as cost and insulation may start to increase the reliance on wood frames.

FA: Are there any plans to build a model wood house such as the one in Tokyo to demonstrate the quality and durability of U.S. wood products?

Lowen: As a matter of fact, there are. The Battibouw Fair, a wood products trade fair which will be held this month in Brussels, will feature a large American-style wood home. The home was constructed by the Belgian Center for Utilization for Wood Products with the cooperation of our office. The Center has introduced new concepts such as wood truss construction.

FA: What other products seem to hold promise for expansion?

Lowen: I believe that the market for U.S. wines can grow into a significant one. Belgium is a wine-drinking country but it does not produce its own wine. Therefore the country imports over $250 million of wine each year.

By far, most imported wine comes from France, with smaller amounts from Italy, Spain and Germany. The market for U.S. wine is about $1 million but we are working to develop it further.

FA: What sort of market development activities are underway?

Lowen: Last year we had a particularly succesful wine promotion campaign with the Delhaize supermarkets. We also worked on a promotional effort with an importer of a variety of California wines which focused on restaurants and individuals who buy quality wines.

This year, we will have a U.S. wine promotion with the G.B. chain—the largest in Belgium.

We would like to develop interest in a substantial export assistance program to coordinate a significant wine promotion campaign with several supermarkets in order to ensure shelf space for a large number of U.S. wines.

With efforts such as these, we believe we can gain perhaps 5 to 10 percent of the market—between $12 and $25 million.

Another promising product is U.S. farm-grown catfish. We are planning a promotion with the Catfish Farmers of America this spring.

FA: An important part of the Foreign Agricultural Service's export expansion is carried out jointly with market development cooperators who represent specific commodity interests. How many cooperators are active in the Belgian market?

Lowen: Currently we have 20 to 30 cooperators active in this market. Because of its central location and excellent transportation and communications facilities, Belgium is the location for the Office of the American Soybean Association, California Raisin Advisory Board, American Plywood Association and the International Institute for Cotton.

Many other cooperators who are located in nearby countries, such as the U.S. Meat Export Federation in Hamburg, West Germany, have active programs here as

well. In addition, many of the state offices of agriculture also maintain regional offices in Brussels.

FA: What types of projects have they initiated?

Lowen: The cooperators are involved in a wide range of projects. For example, the American Soybean Association has worked with local soybean crushers on improving quality—which is very important in maintaining the U.S. market share.

The Association also has worked to introduce full-fat soybeans as animal feed as well as use of soybean oil for dust suppression.

The U.S. Meat Export Federation has a program to promote the sale of both U.S. high-quality beef and variety meats. They work with supermarkets and individual meat purveyors.

Market servicing is an important component of the cooperators' efforts here, as well as efforts to bring U.S. trade groups into Belgium to meet with potential importers.

FA: What tips would you give U.S. exporters contemplating entering the Belgian market?

Lowen: First, they should do their homework. I think it is necessary to know what the Europeans want and how they want it packaged. That includes using the metric system if necessary.

Just recently I was standing at one of the U.S. booths at a trade fair when a potential European importer came by and asked the prices of a half kilogram and kilogram package of a particular food item. The answer was, "We sell in pounds."

I understand the problems of shifting long-established practices and adapting to a different measurement system, but if U.S. exporters want to sell in this market, they've got to go the extra *kilometer* to understand the European system and provide this type of service.

Homework also involves learning how the Europeans prefer to have their products prepared; how the traders prefer to do business; and specific things such as which additives can or cannot be used in food products.

We can't always meet the wishes of European importers, but we must at least try to understand what they want and then try to reach a workable arrangement.

If the United States is going to overcome the tremendous balance of payments problem, we're going to need people who are active and care about exporting.

As the dollar declines, overseas sales are going to become more and more important to U.S. exporters simply because foreign exchange in dollar terms is going to be worth more. So I think it's not only in the interest of the country at large but in the interest of individual exporters to get out there and work these European markets effectively. ■

Belgium at a Glance

Geography

Capital: Brussels.

Land Area: 30,230 square kilometers, an area slightly larger than the state of Maryland.

Land use: 24 percent arable land; 1 percent permanent crops; 20 percent meadows and pastures; 21 percent forest and woodland; 34 percent other.

Special notes: Majority of West European capitals are within 1,000 kilometers of Brussels, termed "the crossroads of Western Europe."

People

Population: 9,873,066 (July 1987).

Language: 56 percent Flemish (Dutch), 32 percent French, 1 percent German, 11 percent legally bilingual.

Labor force: 4 million; 58 percent services, 37 percent industry, 5 percent agriculture, 13.6 percent unemployed.

Economy

GNP: $79.9 billion (1985); $8,100 per capita.

Natural resources: Coal.

Agriculture: Livestock production predominates; main crops—grains, sugar beets, flax, potatoes, other vegetables, fruits.

Major industries: Engineering and metal products, processed food and beverages, chemicals, basic metals, textiles, glass, petroleum.

Exports: (Belgium-Luxembourg Economic Union) $53.3 billion (f.o.b. 1985); iron and steel products (cars), petroleum products, chemicals.

Imports: (Belgium-Luxembourg Economic Union) $55.8 billion (c.i.f. 1985); fuels, foodstuffs, chemicals.

Major trade partners: (Belgium-Luxembourg Economic Union, 1985) *Exports*—69.1 percent EC (19 percent France, 18.7 percent West Germany, 14.3 percent Netherlands, 9.7 percent United Kingdom), 6.3 percent United States, 2.8 percent Communist countries. *Imports*—68.9 percent EC (21.1 percent West Germany, 18.7 percent Netherlands, 15.2 percent France, 9 percent United Kingdom), 5.7 percent United States, 3.4 percent Communist countries.

Sixty Years in Exporting: Tips From a Veteran

New-to-market U.S. exporters can learn a lot from companies that have a long and proven track record in doing business overseas. One such exporting veteran is Welch's, a Concord, Mass. company that has made its brand of grape juice a household word in a number of countries and has chalked up market shares as high as 85 percent in some.

In the 1920s, when the eyes of most U.S. food companies were focused on North America, Welch's began exporting cases of grape juice to Hong Kong and China. Since then, the company has added 30 more countries to its list of importers.

With 60 years of exporting experience, Welch's ranks as one of the grandparents of the U.S. exporting business.

Though not all of its exporting efforts have been successes, Welch's has amassed a weighty folio of experience on doing business overseas.

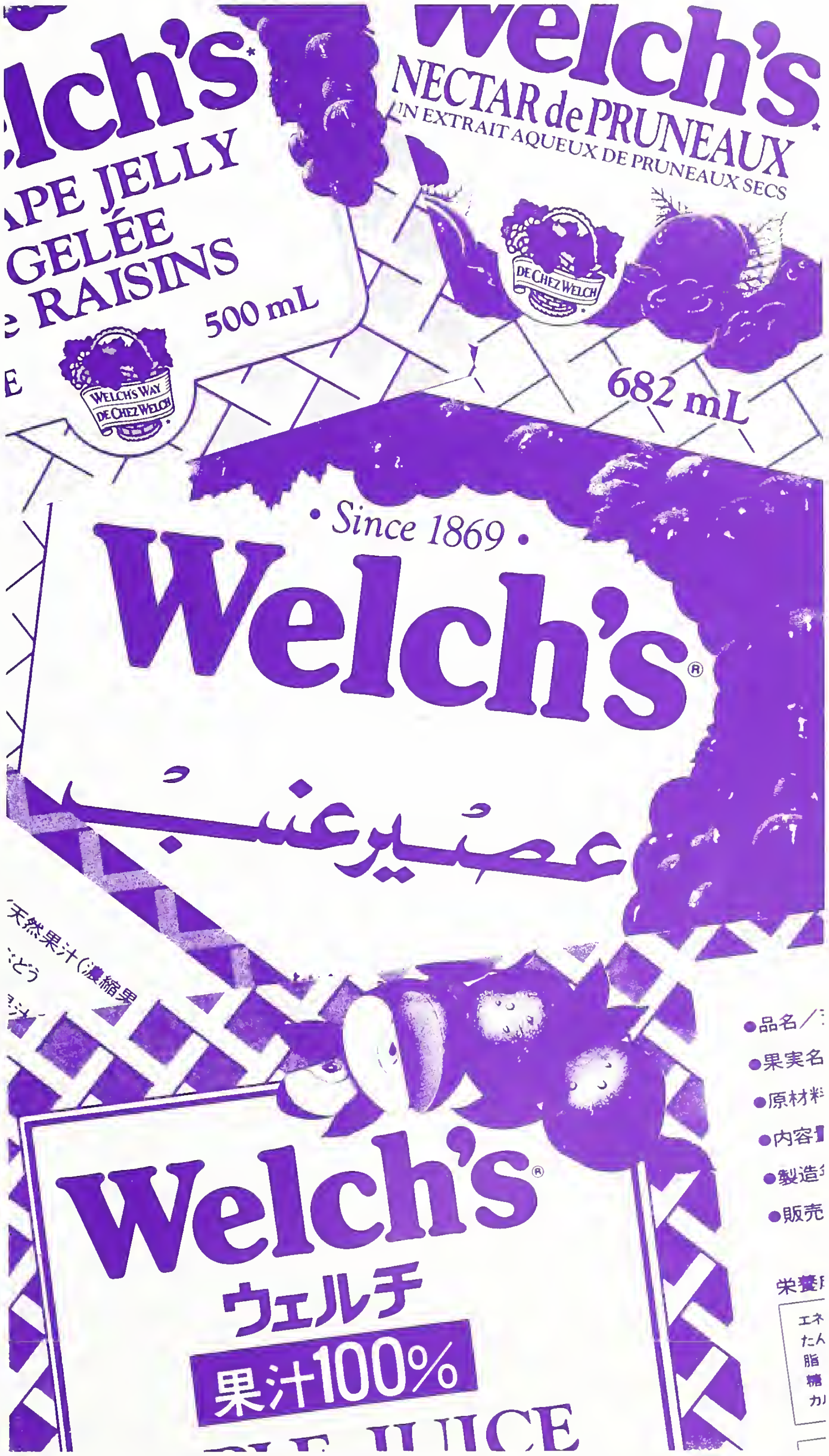
Welch's officials are the first to admit that the perceived high quality of their main product, grape juice, has played an important role in the company's exporting success. Because the Welch's name has become identified by foreign consumers with high-quality grape juice, the company has found that other products introduced under their label are more readily accepted by foreign consumers.

But the same officials add that this identity can carry the company only so far. The remainder of the distance to success in overseas markets is gained through hard work.

Overseas Business Is Mostly Juices

Today, Welch's exports mostly to Far Eastern countries, but also maintains markets in the Middle East, Africa and South America. The company's overseas business is almost all fruit juices and fruit juice cocktails. Export sales account for about 14 percent of the company's annual business.

Welch's considers Puerto Rico the largest overseas market for its products, according to Bill Hewins, vice president of the international division for Welch's.



"Puerto Rico, while a U.S. territory, is handled very much like an international market," Hewins said. "We have been there for many years and the market has been developed very effectively."

So effectively, in fact, that the consumption of grape juice in Puerto Rico is six to eight times the per capita rate in the United States.

As reasons for Welch's success in Puerto Rico, Hewins credited "a strong distributor and broker organization" and the company's presence in the market since the 1930s.

"Our distributors were able to get our grape juice into the market and get it well promoted and that was the key," he said.

Sound Business Relationships Important

In fact, Hewins believes that finding and developing sound relationships with reliable distributors and partners is a key to developing an export business.

Simple common sense should guide a company in choosing a distributor, according to Hewins.

"You have to go and talk to a potential distributor face to face," he said. "Take all the time you need to thoroughly check references."

"But be careful when you go into an exclusive relationship, because you are tied to it, sometimes for a long time," he said. "If your partner is not productive, it can hurt you."

Not content to rest on the laurels of its decades-old juice export markets, Welch's remains active in developing new overseas markets. But Hewins pointed out that competition for new markets has gotten tougher.

"Sixty years ago there were very few American companies like ours that were trying to export. We were essentially out on our own." he said. "Today, more companies are becoming aware of the opportunities in exporting. Also, competition is more aggressive now than when we started."

According to Hewins, Welch's efforts to develop new overseas markets have been boosted with assistance from the Foreign Agricultural Service (FAS).

"We recently went to Malaysia, Singapore and Thailand and one of our first stops was to meet with FAS people at the U.S. embassies," Hewins said. "They helped us set up meetings with distributors in those markets."

FAS also helped Welch's in making business contacts in Australia and Europe, according to Hewins.

Hewins has used trade reports compiled by FAS in deciding on areas to target for market development, and was assisted by FAS in arranging to display Welch's products at the 1987 ANUGA international food show in Cologne, West Germany.

But export business is not all rising growth charts and black ink for Welch's. There are frustrations for the company's exporting program, too.

"I think the two biggest obstacles to doing business overseas are (foreign) government restrictions and outright bans on our products in some countries," Hewins said.

Several countries have banned imported grape products to protect their wine industries. Welch's has suffered this action in Korea and Germany. Government restrictions also have caused problems for Welch's.

"Take Taiwan, for example," Hewins said. "They have a 45-percent duty on juices that makes our product uncompetitive with local producers."

Need for Government Help

Hewins feels that problems like these must be addressed by the federal government.

"All of us in the export business need the support of the U.S. Department of Agriculture and the U.S. Trade Representative in getting markets open to us," he said. "I hope that they will continue to put pressure on the markets where U.S. exporters are not able to do business."

Another lesson Welch's has learned is that products that do well in the domestic market are not always popular with foreign buyers. For example, Welch's has had minimum success in marketing jellies and jams overseas, particularly in countries where bread is not a predominant item.

"Jams and jellies in rice-based markets don't really fit in very well," he said.

Hewins said that there is no one formula for success in exporting.

"You have to look at each market for its own particular needs," he said. "Once you determine that your product can fit those needs, then your task is to pick the right relationship in that market so that you can expand." ■

Australia

South of the Border Catching on Down Under

Because of their informality and ease of preparation, Mexican-style foods are gaining increasing popularity in the Australian market. On the dry goods side of the industry, the growth rate has been 50 to 60 percent per year for the past three years, achieving an estimated annual market value of about $15 million. One popular brand, at present, controls 60 percent of the market.

The Australian frozen meal market has been expanding in recent years at a dramatic rate, exceeding 100 percent annually. Several companies are looking at this dynamic market with the hope that "full-ingredient" Mexican-style meals can capture a substantial niche. Products would include burritos, crispy burritos and enchiladas in ready-prepared frozen packs including beef, chicken and beans. Mexican-style sauces, such as taco sauce, would be available separately to flavor the snacks.

Mexican-style food clearly represents a strong growth area in the Australian market and offers an opportunity for U.S. suppliers to get involved. Product popularity is already well-established and the growth in sales is likely to be substantial in the next several years.—*James V. Parker, Agricultural Counselor, Canberra.*

Hong Kong

U.S. Beef Gaining Favor Outside Western-Style Restaurants

U.S. beef accounted for about 5 percent of the 31.2 million metric tons of beef imported by Hong Kong in 1986, but that share was expected to grow in 1987 as U.S. beef made a breakthrough into the Chinese and Korean restaurant market.

In the past, the U.S. market has been restricted mostly to high-quality cuts for the western-oriented hotel and restaurant trade. However, last year U.S. short ribs enjoyed a surge in popularity in Chinese and Korean restaurants—a sign that U.S. beef use is no longer confined strictly to the up-market in hotels and restaurants.

Imports of U.S. beef into Hong Kong in the first six months of 1987 recorded a 51-percent increase over the corresponding level in 1986 to a total of 1,016.8 metric tons. The biggest gain was made in bone-in beef. Total beef imports from all sources in the same period were up only about a tenth, which meant there was a sizable gain in the U.S. share of the market. U.S. exports during the first six months of 1987 represented 9 percent of the volume of Hong Kong's beef imports and about 16 percent of the value.

A campaign by the U.S. Meat Export Federation may explain some of the gain in the U.S. market share. The Federation recently launched a promotional campaign to serve U.S. beef in 30 Chinese restaurants. This effort to expand the use of U.S. beef beyond western-style restaurants is probably the best way to increase the U.S. share of Hong Kong's beef market beyond the hotel trade. The Meat Export Federation is devoting $500,000 in funds made available by FAS under the Targeted Export Assistance program to this market for advertisement and promotion in 1987. It is expected that this will help increase the public awareness and popularity of U.S. beef—*Phil Holloway, Agricultural Officer, Hong Kong.*

Hong Kong

U.S. Furskins Enjoy Dramatic Sales Growth

Imports of raw mink skins and other skins rose significantly during the first six months of 1987 over the same period a year earlier—and imports from the United States showed spectacular increases. On a volume basis, U.S. exports were up 68 percent; on a value basis they gained 202 percent.

The surge in Hong Kong's imports of raw mink skins was partly the result of larger re-exports and partly due to expanded domestic demand. Re-export of raw mink skins more than doubled in terms of value. Major re-export markets were Macau and China. The increase in imports of other raw furskins was solely the result of increased domestic demand.

Exports of fur garments manufactured in the territory with imported raw and dressed skins totaled approximately US$200 million during the first half of 1987, up 112 percent from the same 1986 level. Exports to Japan alone totaled about US$143 million, 146 percent above the 1986 level.

The increases in the value of raw skin imports and fur garment exports were the result of both increased quantities as well as prices. Traders reported that raw skin prices, particularly those for mink skins, have risen significantly since late last year. Hong Kong furriers also appear to be turning to higher quality skins to tap the upper end of the foreign fur garment market. This explains the outstanding success of U.S. mink skins in Hong Kong.

If Hong Kong's fur garment exports continue their steady growth in 1988 and fur manufacturers continue to move up-market, there is great potential for increased U.S. furskin exports to this market.—*Phil Holloway, Agricultural Officer, Hong Kong.*

Japan

Prospects Sweeten for Larger Honey Imports

The gradual downtrend in the number of apiarists and bee colonies in Japan continues, chiefly due to a decline in the area of floral sources and competition from imported honey. Domestic demand for honey, on the other hand, has been increasing at an annual rate of 5 to 10 percent in recent years, reflecting consumer interest in natural foods. This growing demand is being satisfied by increased imports. For example, Japan's own honey production in 1987, estimated at 6,800 tons, will satisfy only about 15 percent of estimated consumption.

Japan's honey imports in 1986 totaled a record 36,354 tons, up almost 30 percent from 1985. China continues to be Japan's leading supplier, having shipped more than 70 percent of the total 1986 imports. Based on import performance for the first six months of this year, the trade estimates that total 1987 imports will increase further to around 40,000 tons. Over 95 percent of Japan's honey imports are in bulk form and repacked in Japan. Relatively small quantities of consumer pack honey are imported from the United States, Canada and other countries.—*Suzanne K. Hale, Agricultural Trade Officer, Tokyo.*

Japan

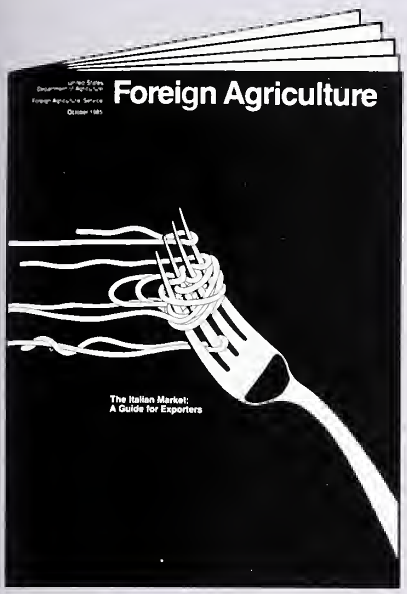
U.S. Cherries, Grapes Reach Record Import Levels

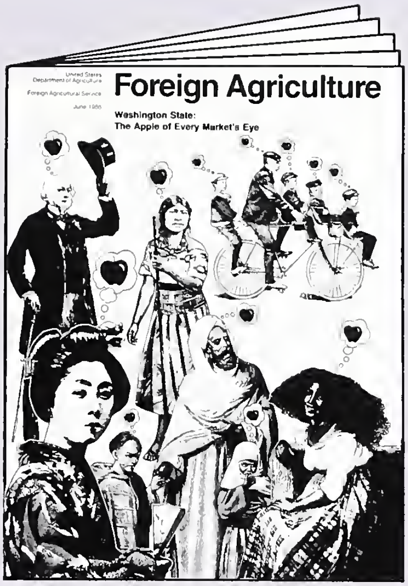
Exports of U.S. cherries to Japan in 1987 far exceeded the shipments of any previous year. A new high was also reached by 1986 U.S. exports of table grapes to Japan.

Total U.S. sweet cherry exports to Japan during the 1987 shipping season rose sharply to 10,163 tons (approximately 1.14 million 20-pound cartons), compared with the 4,087 tons imported in 1986 and only 1,730 tons in 1985. The 1987 imports included approximately 220,000 cartons from California and 920,000 cartons from the Pacific Northwest (Washington and Oregon).

In accordance with the understanding reached between the U.S. Department of Agriculture and Japan's Ministry of Agriculture, Forestry and Fisheries, California fresh cherries were imported into Japan for the first time during May 25-June 7, 1987 (the period agreed upon for the 1987 season). These imports were viewed as an unqualified success. In contrast, Japanese importers encountered serious quality and price problems in handling the season's Northwest cherries and reportedly suffered considerable losses as a result. Reflecting their enthusiasm from the California experience, Japanese importers rushed to the Northwest to acquire as many cherries as possible. However, the Northwest season was approximately two weeks early. This prompted many shipments to be made by boat rather than by air, the traditional method. In view of the perishability of the product, results were near disastrous.

U.S. fresh grapes also gained ground in the Japanese marketplace during 1986, largely as a result of lower import prices because of the appreciation of the yen. While most of the table grapes were imported for direct consumption, the 1986 imports included some fresh grapes, such as the zinfandel variety, imported for making wine. Imports of such wine grapes in 1986 reportedly amounted to several hundred metric tons, although exact figures are not available.—*Bryant W. Wadsworth, Agricultural Counselor, Tokyo.*





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